MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BAC1824 – MANAGERIAL ACCOUNTING 1

(All Sections/ Groups)

28 FEBRUARY 2020
9:00 A.M – 11:00 A.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages excluding cover page with **2** sections.

2. **Section A**: **Twenty (20)** Multiple Choice Questions.
   Section B: **Three (3)** Structured Questions.
   Answer **ALL** questions.

3. Write your answers in the answer booklet provided.

SECTION A: 20 MULTIPLE CHOICE QUESTIONS [40 MARKS]

1. Managerial accounting does not encompass _____
   a. calculating product cost.
   b. calculating earnings per share.
   c. determining cost behavior.
   d. profit planning.

2. The work of factory employees that can be physically and directly associated with converting raw materials into finished goods is _____
   a. manufacturing overhead.
   b. indirect materials.
   c. indirect labor.
   d. direct labor.

3. Which of the following is *NOT* a manufacturing cost category?
   a. Cost of goods sold
   b. Direct materials
   c. Direct labor
   d. Manufacturing overhead

4. Which of the following are period costs?
   a. Raw materials
   b. Direct materials and direct labor
   c. Direct labor and manufacturing overhead
   d. Selling expenses

5. An important feature of a job order cost system is that each job _____
   a. must be similar to previous jobs completed.
   b. has its own distinguishing characteristics.
   c. must be completed before a new job is accepted.
   d. consists of one unit of output.

6. Under an effective system of internal control, the authorization for issuing materials is made _____
   a. orally.
   b. on a pre-numbered materials requisition slip.
   c. by the accounting department.
   d. by anyone on the production line.

7. A process cost accounting system is most appropriate when _____
   a. a variety of different products are produced, each one requiring different types of materials, labor, and overhead.
   b. the focus of attention is on a particular job or order.
   c. similar products are mass-produced.
   d. individual products are custom made to the specification of customers.

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8. A process cost system would be used for all of the following products *EXCEPT* _____
   a. chemicals.
   b. computer chips.
   c. motion pictures.
   d. soft drinks.

9. Use of activity-based costing will result in the development of _____
   a. one overhead rate based on direct labor hours.
   b. one plant wide activity-based overhead rate.
   c. multiple activity-based overhead rates.
   d. no overhead rates; overhead rates are not used in activity-based costing.

10. A cost which remains constant per unit at various levels of activity is a _____
    a. variable cost.
    b. fixed cost.
    c. mixed cost.
    d. manufacturing cost.

11. Which one of the following is a name for the range over which a company expects to operate?
    a. Mixed range
    b. Fixed range
    c. Variable range
    d. Relevant range

12. The amount by which actual or expected sales exceeds break-even sales is referred to as _____
    a. margin of safety
    b. unanticipated profit.
    c. contribution margin
    d. target net income.

13. Contribution margin is _____
    a. the amount of revenue remaining after deducting fixed costs.
    b. available to cover fixed costs and contribute to income for the company.
    c. sales less fixed costs.
    d. unit selling price less unit fixed costs.

14. Incremental analysis would be appropriate for _____
    a. acceptance of an order at a special price.
    b. a retain or replace equipment decision.
    c. a sell or process further decision.
    d. All of these answers are correct.

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15. If a company must expand capacity to accept a special order, it is likely that there will be _____
    a. an increase in unit variable costs.
    b. no increase in fixed costs.
    c. an increase in variable and fixed costs per unit.
    d. an increase in fixed costs.

16. An opportunity cost _____
    a. should be initially recorded as an asset.
    b. is the cost of a new product proposal.
    c. is the potential benefit that may be obtained by following an alternative course of action.
    d. is classified as manufacturing overhead.

17. An unrealistic budget is more likely to result when it _____
    a. has been developed in a top down fashion.
    b. has been developed in a bottom up fashion.
    c. has been developed by all levels of management.
    d. is developed with performance appraisal usages in mind.

18. A master budget consists of _____
    a. an interrelated long-term plan and operating budgets.
    b. financial budgets and a long-term plan.
    c. interrelated financial budgets and operating budgets.
    d. all the accounting journals and ledgers used by a company.

19. Using standard costs _____
    a. makes employees less "cost-conscious."
    b. provides a basis for evaluating cost control.
    c. makes management by exception more difficult.
    d. increases clerical costs.

20. A favorable variance _____
    a. implies a positive result if quality control standards are met.
    b. implies a positive result if standards are flexible.
    c. means that standards are too loosely specified.
    d. is an indication that the company is not operating in an optimal manner.

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SECTION B: STRUCTURED QUESTIONS [60 MARKS]

QUESTION 1

Part A

The following costs and inventory data were taken from the accounts of Redang Sdn Bhd for 2018:

	1 January 2018	31 December 2018
Inventories:	**RM**	**RM**
Raw materials	8,000	7,000
Work in process	15,000	13,000
Finished goods	16,000	12,000
Cost incurred:		
Raw materials purchases		98,000
Direct labour		42,000
Factory rent		8,000
Factory utilities		10,000
Indirect materials		6,000
Indirect labour		9,000
Operating expenses		17,000

Required:
Prepare a Schedule of Cost of Goods Manufactured for the year ended 31 December 2018. (10 marks)

Part B

Kapas Berhad estimates that variable costs will be 70% of sales and fixed costs will total RM2,160,000. The selling price of the product is RM10, and 750,000 units will be sold.

Required:
Using the mathematical equation:
(a) Compute the break-even point in units and ringgits. (6 marks)
(b) Compute the margin of safety in ringgits and as a ratio. (2 marks)
(c) Compute net income. (2 marks)

[TOTAL 20 MARKS]

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QUESTION 2

Part A

Rawa Berhad uses a job order cost accounting system and keeps perpetual inventory records. The company had the following transactions during its first month of operations:

1. Purchased raw materials on account, RM85,000.
2. Factory labor costs incurred were RM175,000 of which RM145,000 pertained to factory wages payable and RM30,000 pertained to employer payroll taxes payable.
3. Overhead costs incurred on account were RM198,000.
4. Raw materials of RM30,000 were requisitioned to the factory. An analysis of the materials requisition slips indicated that RM6,000 was classified as indirect materials.
5. Time tickets indicated that RM145,000 was direct labor and RM30,000 was indirect labor.
6. Manufacturing overhead was applied at the rate of 150% of direct labor cost.

Required:

(a) Journalize the above transactions using general journal form. (8 marks)

(b) Briefly explain how manufacturing overhead costs are accumulated and how they are assigned to products in a job order cost system. (3 marks)

Part B

Sibu Berhad uses a process cost accounting system and has two production departments: Fabricating and Finishing. Beginning inventories are: Work in Process—Fabricating, RM6,030; Work in Process—Finishing, RM4,100; and Finished Goods, RM5,600.

During the month the following transactions occurred:

1. Purchased RM40,000 of raw materials on account.
2. Incurred RM75,000 of factory labor. Wages are unpaid.
3. Incurred RM50,000 of manufacturing overhead; RM40,000 was paid and the remainder is unpaid.
4. Requisitioned materials for Fabricating, RM10,000 and Finishing, RM8,000.
5. Used factory labor for Finishing, RM60,000 and Fabricating, RM15,000.
6. Applied RM45,000 of overhead based on machine hours used in each department. The Finishing Department used twice as many machine hours as did Fabricating.

Required:

Journalize the above transactions using general journal form. (9 marks)

[TOTAL 20 MARKS]

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QUESTION 3

Part A

1. The management of Perhentian Sdn. Bhd. has agreed on the following requirements for the company's 2018 budget. Given in the table below are the expected sales in units for each quarter:

Quarter 1 (Jan – Mar)	Quarter 2 (Apr – Jun)	Quarter 3 (Jul – Sep)	Quarter 4 (Oct – Dec)
6,000 units	7,000 units	8,000 units	9,000 units

Ending finished goods inventory is 30% of next quarter's expected sales units. Beginning finished goods inventory for year 2018 is 1,800 units.

Required:
Prepare production budget, by quarter, for the first six-months of year 2018.

(6 marks)

2. Sipadan Sdn. Bhd. combines its operating expenses for budget purposes in a selling and administrative expense budget. For the first quarter of 2018, the following data are developed:

i. Sales: 20,000 units; unit selling price:	RM30
ii. Variable costs per ringgit of sales:	
Sales commissions	6%
Delivery expense	2%
Advertising	4%
iii. Fixed costs per quarter:	
Sales salaries	RM24,000
Office salaries	19,000
Depreciation	6,000
Insurance	2,000
Utilities	1,000

Required:
Prepare a selling and administrative expense budget for the first quarter of 2018.

(6 marks)

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Part B

Kukup Berhad manufactured 6,000 units of a component part that is used in its product and incurred the following costs:

	RM
Direct materials	35,000
Direct labor	15,000
Variable manufacturing overhead	10,000
Fixed manufacturing overhead	20,000
Total	80,000

Another company has offered to sell the same component part to the company for RM13 per unit.

The fixed manufacturing overhead consists mainly of depreciation on the equipment used to manufacture the part and would not be reduced if the component part was purchased from the outside firm.

If the component part is purchased from the outside firm, Kukup Berhad has the opportunity to use the factory equipment to produce another product which is estimated to have a contribution margin of RM22,000.

Required:
Prepare an incremental analysis report for which can serve as informational input into this make or buy decision. (8 marks)

[TOTAL 20 MARKS]

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